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the 1981 White House Conference on Aging

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ORIGINAL

Executive Summary of Technical Committee on

CREATING AN AGE INTEGRATED SOCIETY: IMPLICATIONS FOR THE ECONOMY

NOTE: The recommendations of this document are not recommendations of the 1981 White House Conference on Aging, or the Department of Health and Human Services. This document was prepared for the consideration of the Conference delegates. The delegates will develop their recommendations through the processes of their national meeting in late 1981.

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HIGHLIGHTS

Our national objective should be to continue the progress that has been made over the last two decades in improving the economic status of the elderly. We are convinced, however, that this objective cannot be achieved in the midst of a national economy confronted with high inflation, low saving, slow-growth, high unemployment, and significant underutilization of productive capacity, much of which is in need of modernization.

While members of our committee may differ as to the best measures that ought to be taken to assure a strong economy, we are unanimous in our conviction that strong and sustained economic growth is essential to the current and future well being of the elderly.

Within the broad context of a national commitment to economic growth, we specifically conclude that:

The country should start now to expand employment opportunities for the elderly. Both government and private sector initiatives will be needed to expand employment opportunities for those elderly willing and able to work. As the number of younger workers entering the workforce slows during the 1980's, increased work opportunities would allow the elderly to improve their economic and general well being, and contribute to overall economic growth without adversely affecting the opportunities of younger workers.

Government and the private sector should work together to encourage and foster increased personal saving. Additional government saving incentives, coupled with financial planning and saving and investment programs made available to employees by employers, will foster increased personal saving and increased personal responsibility for retirement income security.

Only an increased income transfer program targeted on the poorest elderly can quickly and significantly reduce income inadequacy. The country should commit itself to providing a truly adequate income to the neediest elderly. Although such a program would not have significant impact on the overall economy, its cost (up to $19 billion in 1981) could add significantly to taxes (almost $160 in 1981 per worker). Economic growth can make the country more willing and able to carry out this commitment. Expanded elderly employment, for example, has

a favorable impact on economic growth and could add almost $40 billion (1981 dollars) to governmental coffers by 2005, without new taxes.

The country should pursue policies encouraging increased domestic private investment aimed at improved productivity and economic growth. Through its positive effects on economic growth and productivity, investment oriented corporate tax measures could produce modest income improvements for the elderly and more significant improvements for active workers. Some of the added income of workers could be transferred to the elderly and still leave all age groups substantially better off than in a slower-growth economy. Linking increased personal saving with policies promoting increased investment could likely enhance these results by assuring greater availability and timely utilization of capital. While our studies focused on investment oriented corporate tax measures, this should not be construed as a preference by the Committee for this policy versus other approaches to economic growth.

SUMMARY

INTRODUCTION

Progress has been made over the last two decades in increasing the real income of the elderly and improving ther economic status relative to the rest of the population. These gains, in part, reflect improvements in Social Security, private pensions, and other income and in-kind assistance programs which were all made possible by a growing and more productive economy. They also grow out of an increased awareness of personal and social responsibility toward the elderly.

Despite this progress, problems still remain. Although poverty among the elderly has been significantly reduced, many continue to lack adequate incomes. In particular, the decades of discrimination, poverty, unemployment, limited education, and a lack of comparable compensation have denied many older women and minorities the skills, the work and earnings experience and often the health necessary for them to secure and maintain a decent standard of living in their older years. For these same reasons, such elderly individuals are not in a position to avail themselves of employment opportunities. And those elderly who can work, and who want to, must frequently face discriminatory practices and retirement policies that encourage withdrawal from the workplace before they are ready.

We believe that it must be the objective of national policy to achieve continued improvement in the overall economic position of the elderly, with special attention for those among the elderly most in need and most vulnerable: the frail elderly, elderly women, elderly minorities, and elderly men with few employable skills.

Our challenge is to achieve this objective in the face of an aging society—to forge policies that will achieve gains for current and future generations of elderly without creating inter-generational conflicts. All Americans have a stake in this goal for virtually all of us desire to secure the well being of our parents and to provide for our own old age.

OBJECTIVES OF THE TECHNICAL COMMITTEE

It is our unanimous belief, that no single strategy or policy can adequately address the diverse economic needs of the elderly. Rather, a combination of strategies "involving personal, corporate, and governmental initiatives" is what we feel is needed. The needs of those elderly in good health and with strong desires and capabilities to continue employment are far different than the needs of the frail elderly or those elderly with low incomes and few employable skills.

With these thoughts in mind, our specific objective was to develop a number of economic strategies that in combination could address the diverse economic and social situations of current and future generations of elderly Americans. We saw this combined strategy* as consisting of four key parts:

1. Expanded elderly employment opportunities, to benefit those elderly willing and able to work and the economy as a whole;

2. Increased personal saving, viewed both as a supplemental source of retirement income for those people able to save and as a source of capital to help finance general economic growth;

3. Expanded income transfer payments, targeted on those elderly most in need and least able to provide for themselves; and

4. Measures aimed at promoting improved productivity and economic growth, which might directly benefit all segments of our population and, in particular, increase the capacity of our economy to meet the needs of the elderly.

Each part of our combined strategy was targeted to a particular problem, opportunity, or various segments of the elderly population. With so many elderly expressing a desire to work, and with the number of young labor-force entrants likely to decline in the future, we asked, "What would be the impact on the economy and the economic status of the elderly, if older Americans were once again encouraged to remain active in the workforce?"

In recent years, personal saving has declined sharply in America. On an individual level, saving allows persons—especially those at the middle and upper income levels—to at least partially provide, during their working years, for their retirement income. Personal saving can also provide capital that may be used to expand investment and increase the productivity of the economy. We, therefore, asked, "What

*Note: A supplementary statement by Committee Members Thelma Zwerdling and Bert Seidman on personal saving, transfer payments and economic growth measures is contained in the Committee's Final Report.

would happen if currently depressed saving activity could be brought back to the higher levels of the 1960's and early 1970's?"

But expanded employment opportunities cannot really help the elderly worker who is physically wasted after years of backbreaking work, or the frail elderly person, or the elderly woman or minority who never developed the skills or employment history to make themselves employable. In particular, among older elderly persons—a group consisting largely of single elderly women living alone—expanded employment opportunities is not the answer. And increased personal saving cannot impact the current generation of elderly, who are no longer earning significant wages. Nor can it help those future elderly who will not have significantly participated in the workforce or have lived on low incomes during their younger and middle years. For these needy elderly segments, improvements in economic well-being can only come from increased public income transfer payments. Therefore, we asked, "What would be the economic impact of assuring a more adequate minimum income for all of the elderly by means of a public income transfer program?"

Finally, we wanted to address the impact of economic growth directly. Although there are various approaches towards stimulating economic growth, we chose to focus on investment oriented corporate tax measures. Such measures have been widely proposed recently as an effective means for promoting business investment which, if targeted to improvements in productivity and our international competitive status, could promote expanded economic growth and enhanced productivity. We therefore asked, "How would corporate tax measures aimed at increasing business investment influence the economy and the position of the aged?"

METHOD

Through a grant from the Corporation for Older Americans, our Committee was able to secure the services of Data Resources, Inc., (DRI), one of the nation's most prominent economic consulting firms. Our first charge to DRI was to develop a picture of future economic conditions assuming current policies and social trends prevail in the future. We wanted this "baseline" picture so we could have a basis against which to measure the impact of new strategies. We then asked DRI to study the impact of each part of our combined strategy on the economy as a whole and on older Americans in particular.

The DRI studies were conducted using modern economic forecasting methods and looked out 25 years to the Year 2005. The results provided us with detailed information regarding the overall economy and the income position of various elderly and non-elderly segments of the population. These forecasts are largely based upon a

knowledge of the past which, because of rapid changes in the world—social, economic and political—is no longer as reliable a guide to the future as perhaps it once was.

The detailed results of the DRI studies are described in our final report to the White House Conference on Aging. Although based upon strategies suggested by the committee, DRI is wholly responsible for the analysis underlying these results. While members of our Committee do not necessarily subscribe to this analysis, and some members, in fact, disagree with parts of it, all of us felt that the DRI effort provided a useful backdrop against which to reach our conclusions.

CONCLUSIONS

We are convinced that a national objective to achieve continued improvement in the overall economic position of the elderly cannot be realized in the midst of a national economy confronted with high inflation, low saving, slow-growth, high unemployment and significant underutilization of productive capacity, much of which is in need of modernization if it is going to be competitive in an increasingly international economic marketplace.

We view inflation, in particular, as an enemy of the elderly. It reduces the value of savings, depreciates the purchasing power of fixed incomes, and increases the cost of those goods and services that are critically important to the elderly—food, heating fuel and medical care. Moreover, when increasing inflation is combined with sagging productivity, the declining growth in everyone's standard of living—the unfulfilled expectations for a better life—erodes our national will and determination to address the remaining economic and social problems confronting the elderly. In this regard, the hardships of inflation fall doubly-hard on the neediest elderly.

For these reasons, the members of our Committee believe that particular strategies to achieve continued economic improvements for the elderly must be viewed in the context of a national commitment to address the fundamental ills of our current economy. And while we may differ as to the best measures that ought to be taken to assure a strong economy, we are unanimous in our conviction that strong and sustained economic growth is essential to the current and future well being of the elderly. A larger and stronger economy will increase our nation's ability to help disadvantaged groups, reduce inflation and its corrosive effects on retirement income and national cohesion, serve as a hedge against unforeseen economic events, and, thereby, provide and protect jobs—the best assurance of an adequate retirement income.

Within the broad context of a national commitment to economic growth, we specifically conclude that:

The country should start now to expand employment opportunities for the elderly. DRI's studies showed that, as the number of younger workers entering the workforce slows during the 1980's, new work opportunities would allow the elderly to improve their economic and general well being, and contribute to overall economic growth without adversely affecting the employment opportunities of younger workers.

While the benefits of expanded employment opportunities will be concentrated among those elderly willing and able to work, DRI's studies show that, when spread across the entire elderly population, this expanded employment may mean almost $500 a year (1980 dollars) additional income by 2005 for the average elderly household. For the economy as a whole, Gross National Product may be improved by almost 4%. And this expanded economic growth could mean about $40 billion (1980 dollars) more in Federal, State, and Local revenues by 2005 without increasing taxes. These additional revenues can be used to increase assistance to the neediest segments of our population.

We believe that expansion of elderly employment can be achieved through a government-private sector partnership addressing such areas as elimination of job discrimination, re-training and re-education, and the restructuring of jobs to permit more flexible work arrangements. While expanded elderly employment opportunities will not be the answer for all elderly groups and may not be suited to certain industries we believe it is a sound strategy for the nation.

Government and the private sector should work together to encourage and foster increased personal saving. DRI's studies of increased personal saving have shown that a substantial increase in personal saving will be necessary before personal saving can significantly add to elderly income. Typically, most Americans spend the interest earned on their savings instead of reinvesting it to increase their wealth and potential retirement income.

We believe that individuals, during their younger and middle years, should be encouraged to take greater personal responsibility for their economic well-being in retirement. Yet, chronically high inflation and government policies that favor spending over saving have helped produce the opposite behavior. Thus, while almost 81% of Americans express a strong desire to save, only 39% are actually able to save on a regular basis.

We believe that government should create additional incentives to promote personal saving. We also believe that American business, as employers, can help their employees to save through making financial planning and savings and investment programs available. In combination, we are confident that such initiatives will, as has occurred in other countries, dramatically increase the per-

sonal saving of individuals, particularly at middle and upper income levels. These increases can add to retirement income security.

Only an increased income transfer program targeted on the poorest elderly can quickly and significantly reduce income inadequacy. DRI's studies have clearly shown that strategies for improving the economic status of the elderly which depend upon expanded elderly employment and increased personal saving cannot solve the income problems of those elderly groups least able to participate—the frail elderly, elderly women and minorities, and others who today are frequently without significant employment histories. For the same reason, current and future elderly groups whose lives are largely lived outside our economic mainstream cannot directly share in the benefits of policies expanding economic growth.

We believe the country should commit itself to providing the neediest elderly with a truly adequate income, for example, an income consistent with the Bureau of Labor Statistics Intermediate Budget for Retired Couples. DRI's studies indicate that the initial cost of such an income transfer program would be almost $19 billion (1980 dollars) in 1981, but might decline to about $12 billion (1980 dollars) in 2005. If paid for by increased taxes, such a program would not have a significant effect on the overall economy; however, it would increase personal taxes throughout the 1980–2005 period, starting at about $160 for every person in the labor force in 1981.

These costs underscore the need for expanded economic growth, to create both the economic capacity and national will to achieve the objective of providing the elderly with adequate income. We have already cited, for example, that increased elderly employment could add as much as $40 billion (1980 dollars) to Federal, State and Local coffers by 2005 without the need of additional taxes. These monies could be used to expand our assistance to the neediest among us.

The country should pursue policies encouraging increased domestic private investment aimed at improved productivity and economic growth. DRI's studies of investment oriented corporate tax measures (increased investment tax credits and liberalized depreciation schedules) showed significant potential gains for the economy. The more than 15% increase in business investment which results from such tax measures is expected to add better than 4% to Gross National Product by 2005 and reduce inflation by about 0.3% per year beginning in the latter part of the 1980's.

For individuals, by 2005, this added growth is expected to produce about 1% more income for the elderly and almost 3% for non-elderly groups. Although non-elderly groups realize greater income improvements, some of this added income could be transferred to the elderly and still leave all age groups substantially better off than they would be in a slower-growth economy.

Although we did not study increased personal saving in conjunction with investment oriented corporate tax measures, these policies may be mutually reinforcing. While personal saving will make more capital available, it may not, alone, guarantee a level of investment adequate to achieve strong economic growth. Therefore, linking personal saving with policies promoting investment can provide greater assurance that available capital will be put to timely use.

It should be noted that other approaches to investment and economic growth—ones that stimulate consumer demand, for example—may also have potential for expanding the growth and productivity of the economy, although they may have somewhat different inflationary effects. While our studies focused on investment oriented corporate tax measures, this should not be construed as an endorsement by the committee. We are, however, unanimous in the priority we attach to promoting economic growth.

We believe that these broad recommendations represent a sound economic strategy within which to fashion the detailed policies and programs—both public and private—that can lead to an age-integrated society and thereby provide a better life for current and future generations of elderly Americans.

The following Technical Committee Summaries have been published:

Retirement Income
Health Maintenance and Health Promotion
Health Services
Social and Health Aspects of Long Term Care
Family, Social Services and Other Support Systems
The Physical and Social Environment and Quality of Life
Older Americans as A Growing National Resource
Employment
Creating an Age Integrated Society: Implications for Societal Institutions
Creating an Age Integrated Society: Implications for the Economy
Creating an Age Integrated Society: Implications for the Educational Systems
Creating an Age Integrated Society: Implications for Spiritual Well-Being
Creating an Age Integrated Society: Implications for the Family
Creating an Age Integrated Society: Implications for the Media
Creating an Age Integrated Society: Implications for Governmental Structures
Research in Aging

Experts from various fields were appointed by the Secretary of Health and Human Services to serve on 16 Technical Committees, each charged with developing issues and recommendations in a particular area for consideration as background material for the delegates to the 1981 White House Conference on Aging.